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UNCLAS SECTION 01 OF 03 DHAKA 000877

SIPDIS

PLEASE PASS STAFFDEL YEO, FROM AMB JMORIARTY
DEPT FOR SCA/PB, H FOR DPPARKS

E.O. 12958: N/A

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SUBJECT: SCENESETTER FOR STAFFDEL YEO BANGLADESH VISIT

SUMMARY

1. (SBU) Your visit to Bangladesh comes at an important juncture in the Caretaker Government's (CTG) term. The CTG is working to set the stage for national elections by the end of 2008. It is negotiating with political parties about the transition to a democratically-elected government, as well as about the fates of former prime ministers Sheikh Hasina Wajed and Begum Khaleda Zia. While local elections on August 4 proved a success, the future of the country still hangs in the balance. Many are suspicious of the Bangladesh military's political role and criticize its interference in the internal affairs of the parties. Others fear a return to the status quo ante and the violent "winner take all" political culture of Bangladesh.

2. (SBU) USG activities in Bangladesh are based on three pillars: Democratization, Development and Denial of space to terrorists. We urge the CTG to lift the State of Emergency and support its efforts to ensure free, fair and credible elections, while adhering to international human rights standards. We also call upon the political parties to play a responsible role in helping to set conditions for elections by the end of this year. The U.S. funds a comprehensive development program that includes aid for food, health, education, economic growth and governance. Thanks to funds provided by Congress in the FY08 supplemental and FY09 bridge, the USG is playing a huge role in helping victims of last year's cyclone in southern Bangladesh rebuild their lives. We also cooperate closely with authorities here to combat terrorism and prevent Bangladesh from becoming a haven for terrorists. END SUMMARY.

DEMOCRACY

2. (U) The Caretaker Government (CTG) came to power in January 2007, the day after a State of Emergency was declared to quell political violence that was spinning out of control in the run-up to parliamentary elections. The CTG, made up of 11 non-political advisers and strongly supported by the military, canceled the elections and began cracking down on endemic political corruption and violence. The crackdown initially won broad public support, but frustration with the Caretaker Government spilled onto the streets in late August 2007; at that point a dispute at Dhaka University between students and soldiers became a rallying point for thousands of Bangladeshis disaffected by inflation, other economic woes and restrictions on political activity. The Government

stopped the protests by imposing a curfew backed up by a show of force from the army.

13. (U) Bangladesh,s Caretaker Government has pursued two primary objectives for the past 18 months: battling corruption and preparing for a return to elected government. In April, the CTG announced that parliamentary elections would occur during the third week of December and began negotiations with the nation's major political parties on the way forward. The mechanics of holding elections seem to be largely on track, but there is still much debate about an "exit strategy" for the Caretaker Government and the military, who want to ensure a newly elected government maintains reforms and refrains from settling scores.

14. (SBU) Compiling a new, credible voter list was the marquee project undertaken by a reconstituted Election Commission to clean-up the electoral system. The list was put to the test in city and municipal elections on August 4. According to the Election Commission, turnout for the city polls ranged from 75% to 93%. One of Bangladesh,s major political parties, the Awami League, stormed to victory, winning three of four mayoral slots and other municipal positions. Embassy election observers reported generally minor problems during the vote and none of the violence that often marred polls in the past. The big loser was the other major political party, the Bangladesh Nationalist Party (BNP), which lost its mayoral grip on three major cities. Although the BNP boycotted these elections, the outcome raised questions as to whether the BNP would participate in the upcoming upazila

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(sub-district) elections in October and the all-important Parliamentary elections scheduled for December.

15. (SBU) The negotiations over the return to democracy involve three key players: the Caretaker Government, the military and the two main parties. The Caretaker Government,s Advisers (or Ministers) are competent technocrats; they want to negotiate a smooth election and a successful return to a less corrupt, more efficient democracy. The two major parties seek a return to something like the status quo ante, with few checks on the power of the Parliament and Prime Minister. The military appears somewhat divided, with most in uniform keen to get out of politics, albeit in way that ensures the military,s equities are protected.

16. (SBU) At issue in the Caretaker Government's talks with the parties are both the conditions under which the elections will occur and the future of political reform once the parties return to power. The CTG has shown some flexibility by granting parole to former Prime Minister Sheikh Hasina, head of the Awami League, and allowing her to travel overseas, for medical treatment. The CTG,s attempts to cut a similar deal with former Prime Minister Khaleda Zia, head of Bangladesh Nationalist Party (BNP), have foundered over her insistence that her eldest son, Tarique, also be released and allowed to leave the country for medical treatment.

DEVELOPMENT

17. (U) In the midst of this political uncertainty, Bangladeshis are also coping with natural disasters and spiraling inflation. Cyclone Sidr blasted through southwestern Bangladesh in November 2007, leaving thousands of people dead and destroying the homes and livelihoods of millions. The Government of Bangladesh and international donors have not sustained the strong levels of assistance they provided victims in Sidr's immediate aftermath, and millions of victims remain in need of food, shelter and livelihood support. The additional \$75 million for cyclone victims approved by Congress recently could not have come at more opportune time.

¶8. (SBU) On top of natural disasters, inflation -- particularly of food prices -- remains dangerously high for Bangladesh's desperately poor population, 84 percent of whom subsist on less than \$2 a day. In response to the rising food and fuel prices, the Caretaker Government has responded with a populist budget aimed at softening the impact of those increases. Just as importantly, overall GDP growth, led by surging exports of ready made garments, remains strong; the economy grew 6.2 percent in the year completed July 1. While some economists argue the biggest problem facing the economy is double-digit inflation, others maintain that Bangladesh needs to improve its energy and transportation infrastructure and grow its way out of difficulty by expanding exports. Despite differing views, however, all agree that a return to political chaos in the coming months would deal the economy a crushing blow.

DENIAL OF SPACE TO TERRORISTS

¶9. (SBU) Although Bangladesh is a moderate Muslim-majority nation, its porous borders -- both land and maritime -- make it an attractive transit point and safe-haven for terrorists.

The USG funds many programs in Bangladesh to counter terrorism, including a wide range of training under the Anti-Terrorist Assistance program coordinated by the State Department. USAID and Public Affairs Section programs also address root causes of extremism through outreach to leaders of influence, including religious figures, and to madrasas. Human rights concerns have prevented the USG from engaging the paramilitary Rapid Action Battalion (RAB), which is the lead counterterrorism force in Bangladesh. RAB's record generally has improved under the Caretaker Government; during the first two weeks of March the United Kingdom provided human rights training to build on that positive trend.

¶10. (SBU) Bangladesh continues to arrest alleged members of

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Jamaatul Mujahedin Bangladesh (JMB), the banned Islamic extremist group responsible for a wave of bombings and suicide attacks in late 2005, and to recover bomb-making materials and weapons from their hideouts. Those arrests, along with the execution in March 2007 of six senior JMB leaders, appear to have depleted the organization.

YOUR VISIT

¶12. (SBU) The coming months will go a long way in determining whether Bangladesh pulls off a successful democratic transition or begins slouching towards a much darker future. Your visit to Bangladesh will highlight the importance Congress places on bilateral relations. It will underscore Congress' support for Bangladesh as it continues on the path to free and fair elections by the end of 2008, including adhering to the elections roadmap, continuing the political dialogue, and lifting the State of Emergency. Your visit also will provide an opportunity to assess the effectiveness of several ongoing USG-funded development programs. Your meetings with senior Bangladeshi officials will provide opportunities to stress the importance of a restoration of democracy and of bilateral cooperation in combating terrorism.
Moriarty